

September 30, 2011

To: Executive Board

Subject: **Fiscal Year 2012 Financial Statements and Investment Summary – August 2011**

---

### **Recommendation**

Receive and file the Financial Statements and Investment Summary for Fiscal Year 2012.

### **Analysis**

The attached Financial Statements and Investment Report summarize Foothill Transit's unaudited operations and financial condition for the first two months of the fiscal year ending June 30, 2012.

Foothill Transit's cash position of \$55.5 million is \$2.6 million more than the previous month. This increase of cash is the net change between the uses of cash and sources of cash. Uses of cash include an increase is due from other governments of \$2.3 million. Sources of cash include an excess of operating revenues over expenditures of \$2.4 million; an increase of deferred revenue of \$589,600; excess capital grants of \$957,400; a decrease in accounts receivable and an increase in accounts payable of \$725,300.

August 2011 fare revenues were \$1.46 million, which is 1.67 percent more than the monthly budgeted amount. This is a continuation of the trend established in the prior fiscal year even though revenue estimates were increased approximately ten percent. It is difficult to isolate the factors responsible for this increase. A fare increase was implemented in late June 2010 along with service refinements to improve fare revenues in the prior fiscal year; however the economy continues to show no signs of a permanent improvement.

Operating costs through August were \$10.5 million, which is \$736,750 less than the budget. These costs are \$275,000 or 0.5 percent more than for the same period one year earlier. Foothill Transit had sufficient funds to meet all of its obligations.

### **Balance Sheet Analysis (Attachment A):**

#### Assets

The balance sheet as of August 31, 2011 shows total assets at \$216.4 million. This total consists primarily of \$151.1 million in fixed assets and \$55.5 million in cash and investments. The cash and investments balance includes \$5.0 million invested in the Local Agency Investment Fund (LAIF); \$21.7 million in non-interest bearing accounts

Executive Board Meeting – 9/30/10  
Fiscal Year 2012 Financial Statements and Investment Summary  
Page 2

held with Bank of the West; \$10.0 million in an interest bearing account with Bank of the West; \$3.3 million with Chase; \$4.0 million with Bank of the West and \$2.9 million with Wells Fargo invested in FDIC insured Certificates of Deposits earning interest through the Certificate of Deposits Account Registry Service (CDARS) program; and \$2.0 million in US Treasury Bills.

**Investments (Attachment B)**

Our current investments are held in financial instruments pursuant to Foothill Transit's investment policy. Funds held with Bank of the West are in non-interest earning accounts to qualify for FDIC insurance, eliminating the risk of loss. The LAIF investment, the CDARS investments, the deposits with Chase and US Treasury Bills earn interest and are held for future capital and operating funding requirements. These accounts earn interest; however at a very low rate. The LAIF interest rate as of July 2011 was 0.381 percent; slightly less than the previous month's rate of 0.448 percent. The most recent change in the prime interest rate was effective December 16, 2008 reducing it to 3.25 percent. While the prime has not changed in more than two years, LAIF interest rates have continued a downward trend.

**Liabilities**

The accounts payable balance is \$6.8 million. \$3.7 million of this amount represents the amount due and payable to the contractors for July and August services. Other amounts payable include fuel costs of \$515,000, and \$417,000 due Metro for stored value sales.

**Operating Revenue and Expense Analysis (Attachment C):**

**Fare Revenue**

August 2011 fare revenue of \$1.46 million was 1.67 percent more than the monthly budgeted amount and \$14,000 less than July 2011 revenue. The August amount is \$21,500 or 1.47 percent more than the prior year monthly average.

While August revenues are slightly less than the prior month and more than the prior year monthly average, the August revenues are 1.67 percent more than the amount budgeted and very close to the fiscal year 2011 monthly average. These could be indicators that the economy is neither improving nor weakening, even though recent indicators have indicated everything but a stable economy.

State and Local Funding Subsidies of \$8.9 million (consisting of Transportation Development Act funds, Proposition A and C grants, and other income) were approximately 5.1 percent more than planned for in the budget. This is the results of receiving grant subsidies that were delayed at the beginning of the fiscal year. Foothill Transit has sufficient funds to meet all of its obligations.

Executive Board Meeting – 9/30/10  
Fiscal Year 2012 Financial Statements and Investment Summary  
Page 3

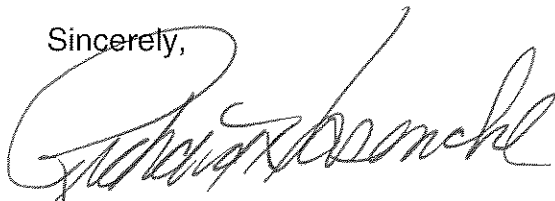
Expenses

August 2011 operating expenses were \$10.4 million, compared with the budget of \$11.1 million. This difference of approximately \$736,750 resulted in a 6.6 percent favorable variance. The majority of this favorable variance is the result of fuel cost savings of \$272,000; lower than budgeted service cost of \$349,000, with the balance spread over several departments and not attributable to any one account. It should be noted that the August 2011 expenses of \$10.4 million are \$53,500 more than the prior fiscal year.

Farebox Recovery Ratio

The August 2011 farebox recovery ratio was 28.08 percent; 2.12 percent more than the performance target of 25.96 percent. The farebox recovery ratio was derived by dividing the total fare revenue figure of \$2,935,709 by the total operating expense figure of \$10,455,035. This ratio has decreased 0.66 percent from the July 2011 figure of 28.74 percent.

Sincerely,



Richard Hasenohrl  
Director of Finance



Doran J. Barnes  
Executive Director

Attachments

Foothill Transit  
Balance Sheet  
As of August 31, 2011

**Assets**

## Current Assets:

Cash	\$ 38,242,415
Investments	17,293,300
Due from government agencies	7,699,441
Other receivables	1,684,180
Other assets	343,974
Total Current Assets	<u>65,263,310</u>
Property & Equipment (net of depreciation)	151,120,985
Total Assets	<u><u>\$ 216,384,295</u></u>

**Liabilities and Equity**

## Current Liabilities:

Accounts payable and accrued liabilities	\$ 6,800,003
Current portion of long term debt	1,000,000
Deferred Revenue	<u>32,778,990</u>
Total Liabilities	<u>40,578,993</u>

**Equity**

Investment in Fixed Assets (net):

Fund Balance:	<u>175,805,302</u>
Total Equity	<u>175,805,302</u>
Total Liabilities and Equity	<u><u>\$ 216,384,295</u></u>

Summary of Cash and  
Investment Account  
For August 31, 2011

	Interest Rate	Term	Principal Amount/Book Value	Market Value
Cash:				
Bank of the West-Reg. Checking	N/A	Demand Deposit	\$16,497,100	\$16,497,100
Petty Cash	N/A	N/A	400	400
Revolving Fund - Transit Stores	N/A	N/A	1,500	1,500
Bank of the West-Money Market	0.150%		10,012,898	10,012,898
Bank of the West-Excise Tax	N/A	Demand Deposit	7,374,259	7,374,259
Bank of the West-CTAF <sup>3</sup> Fund	0.750%	Demand Deposit	657,934	657,934
Bank of the West-Bus. Checking	N/A	Demand Deposit	3,698,323	3,698,323
Subtotal Cash on Hand			38,242,415	38,242,415
Unrestricted Investments:				
Chase Business Saving	0.500%	Demand Deposit	3,307,738	3,307,738
Bank of the West-CDARS	N/A	Cert. of Deposit	4,000,000	4,000,000
Wells Fargo-CDARS	0.175%		2,988,000	2,988,000
Treasury Bills			1,996,158	1,996,158
LAIF Investment	0.381%	Demand Deposit	5,001,404	5,001,404
Subtotal Unrestricted Investments			17,293,300	17,293,300
Total Cash and Investments			<u>\$55,535,715</u>	<u>\$55,535,715</u>

**Notes:**

- 1) The investments listed above are in compliance with Foothill Transit's Investment Policy dated July 22, 2004.
- 2) Foothill Transit has the ability to meet its expenditure requirements for the next six months.
- 3) California Transit Assistance Funds

**Foothill Transit**  
**Statement of Revenue and Expense**  
For Month Ended August 31, 2011

	Actual August -11	Budget August -11	Variance Favorable (Unfavorable)	Actual August- 10
<b>Operating Revenue</b>				
Farebox	\$1,850,641	\$1,953,267	(5.25%)	\$1,863,436
Pass Sales	551,855	443,067	24.55%	395,122
TAP Cash Purse	306,338	237,100	29.20%	372,852
MetroLink	6,609	4,417	49.64%	4,922
EZ Transit Pass	220,266	235,900	(6.63%)	200,308
<b>Total Operating Revenue</b>	<b>2,935,709</b>	<b>2,873,750</b>	<b>2.16%</b>	<b>2,836,640</b>
<b>Non-Operating Revenue</b>				
FTA Sec 5307 Operating	363,296			
FTA Sec 5307 ARRA				
Transportation Development Act (TDA)	2,905,592	3,619,533	(19.72%)	637,554
STA	549,276	541,667	1.40%	
Prop A 40% Discretionary	2,235,704	2,000,000	11.79%	2,123,464
Prop A & C Interest				
Prop A 40% BSCP	632,798	483,333	30.92%	576,326
Prop C Base Restructuring	295,956	283,333	4.46%	290,182
Prop C BSIP	137,789	135,167	1.94%	135,100
Prop C Transit Service Expansion	49,319	48,333	2.04%	48,356
Transit Security-Operating	102,944	100,000	2.94%	90,626
Measure R Operating	1,463,224	1,048,333	39.58%	1,235,112
Excise Tax Credit				
Gain on Sale of Fixed Assets				
ARRA				370,596
Auxiliary Revenue	203,632	250,000	(18.55%)	245,415
<b>Total Non-Operating Revenue</b>	<b>8,939,529</b>	<b>8,509,699</b>	<b>5.05%</b>	<b>5,752,731</b>
<b>Total Revenue</b>	<b>11,875,238</b>	<b>11,383,449</b>	<b>4.32%</b>	<b>8,589,371</b>
<b>Available Capital Funding</b>				
Capital Grants	507,587			1,958,527
Other				
<b>Total Revenue and Capital Funding</b>	<b>12,382,825</b>	<b>11,383,449</b>		<b>10,547,898</b>
<b>OPERATING EXPENSES</b>				
Operations	8,681,731	9,362,117	7.27%	8,865,052
Marketing and Communications	203,769	265,750	23.32%	180,774
Information Technology	465,895	289,833	(60.75%)	223,722
Administration	248,098	296,342	16.28%	309,990
Procurement	71,149	106,308	33.07%	289,223
Sales and Service	288,802	291,400	0.89%	
Finance	219,995	210,700	(4.41%)	171,381
Safety and Security	105,883	133,833	20.88%	111,319
Planning	73,190	114,433	36.04%	119,247
Building Management	96,523	121,067	20.27%	130,845
<b>Total Operating Expenses</b>	<b>10,455,035</b>	<b>11,191,783</b>	<b>6.58%</b>	<b>10,401,553</b>
<b>Capital and Other Expenses</b>				
Capital	550,234		N/A	2,074,251
Interest			N/A	
Dial-A-Ride	112,744		N/A	94,165
Special Services			N/A	28,381
Other Misc. expense	825		N/A	4,009
<b>Total Capital and Other Expenditures</b>	<b>663,804</b>		<b>N/A</b>	<b>2,200,806</b>
<b>Increase (Decrease) of Revenues Over Expenditures</b>	<b>\$ 1,263,985</b>			<b>\$ (2,054,461)</b>